BUDGET
1977-78

Speech of

Thiru K. Manoharan

Minister for Finance

25th July 1977

Speech of Thiru K. Manoharan, Minister for Finance, Government of Tamil Nadu presenting the Budget for 1977–78 to the Legislative Assembly on 25th July 1977.

Mr. Speaker Sir,

I rise to place before the House the Revised Estimates for 1976–77 and the Budget Estimates for 1977–78.

2. As Honourable Members are aware, a Vote-on-Account for the first five months of the current financial year was approved by Parliament during President's rule. We are now presenting a revised Budget for the year and seeking the approval of the Legislature for the annual appropriation. Within the short time and the limited flexibility available to the new Government, we have carried out a quick review of the Budgetary provisions and we have readjusted provisions wherever necessary in line with our basic priorities. This process will be a continuous one and I would like to assure the House at the very outset that during the course of the year adequate provisions and necessary adjustments will be made for implementing the projects and programmes to which we decide to accord priority.

3. We have had to frame the Budget in the context of the overall economic situation in the country as a whole and Tamil Nadu in particular. After a

period of relative price stability, inflationary forces are again reasserting themselves in the national economy. In Tamil Nadu, while the increase in the price of foodgrains has been more or less under control mainly due to the formation of the Southern Zone, there have been price increases in edible oils, cash crops and manufactured goods. The instruments of monetary and fiscal policy for ensuring price stability, while promoting growth and employment, are mainly with the Central Government. Our role consists in giving them constructive co-operation to implement national economic policies on sound lines and while doing so, to formulate and implement our own programmes in such a manner that investment and welfare are promoted without leading to financial difficulties or distortion of priorities. We have to balance immediate and short-term needs with adequate provisions for the long-term development of the State. Deficits have to be avoided ; at the same time, the tax burden cannot be unduly increased. The demands of Government and other employees have to be reconciled with developmental priorities and adequate provisions for meeting the basic minimum needs of the people. Production and employment have to be stepped up but not at the cost of price stability. Existing schemes have to be continued and at the same time, many new beginnings have to be made. In this difficult situation, all problems have to be approached in a fair and balanced manner while formulating the Budget.

4. The present unsatisfactory position of Centre-State financial relations has been aptly described in the opening paragraph of the report of the Study Team of the Administrative Reforms Commission under Thiru M. C. Setalvad. As the report points out :

"The allocation of resources and functions in the Constitution has consistently produced surpluses in the Centre and deficits in the States. Exact correspondence of resources and functions is not possible to secure in any federal situation but in India the balance is tilted rather heavily in favour of the Centre and the outstanding feature of the financial relationship between the Centre and the States consequently is that the former is always the giver and the latter the receivers."

As Honourable Members are aware, the financial position of our State has been placed at a serious disadvantage in comparison with most other States due to the loss in revenue arising from the social welfare policy of Prohibition. To our disappointment, repeated representations to the Centre have not been successful in making them accept the principle of compensating this loss which arises from the fulfilment of a Directive Principle in the Indian Constitution. The recent appointment of the Seventh Finance Commission will give us the opportunity to press our claims on this and other important issues affecting the interests of Tamil Nadu.

Annual Plan

5. In this Budget, we have made adequate provision for the Annual Plan 1977–78, with special emphasis on core sectors such as Agriculture, Irrigation, Power and Industry. At the same time, equal attention has been given to social services such as drinking water-supply, education, health and the welfare of Scheduled Castes, Scheduled Tribes and Backward Classes. The size of the Annual Plan for the current year as presented to Parliament was Rs. 260 crores. This has now been increased to Rs. 263·5 crores. The provisions in the Plan for major sectors are: Power—Rs. 94·9 crores; Irrigation—Rs. 24·7 crores; Agriculture and allied sectors—Rs. 30·2 crores; Industry—Rs. 13·8 crores; Transport and Communications—Rs. 25·2 crores; Water-Supply and Sewerage—Rs. 26·5 crores; Education—Rs. 13·3 crores; and other social and economic services—Rs. 34·9 crores.

Agriculture and allied sectors

6. Honourable Members are aware that due to the failure of the South-West monsoon there was a shortfall in agricultural output in 1976–77. In that year, according to a quick assessment, the production of foodgrains is estimated at 74 lakh tonnes; sugarcane (gur) production is estimated at 13·5 lakh tonnes, oilseeds at 13·4 lakh tonnes and cotton at 3·6 lakh bales. In the current year, we are aiming at a target of 84 lakh tonnes of foodgrains, 14 lakh tonnes of sugarcane (gur), 14·9 lakh tonnes of oilseeds and 4 lakh bales of cotton. We shall take all necessary steps to ensure that these targets are achieved without shortfall.

7. Necessary provisions have been made in the Plan for the strengthening of State seed farms and increasing the distribution of high-yielding varieties. Soil conservation is another area of priority for which a provision of Rs. 302 lakhs is contained in the Budget. This programme is of particular benefit to dry farming areas and also provides substantial scope for the creation of employment. Particular emphasis is being given to diversify agriculture through the promotion of cash crops, vegetable production and oilseeds. Agricultural marketing has hitherto been relatively neglected. We have decided to create a separate Directorate of Agricultural Marketing which will help market committees for improving their services to agriculturists and to expand marketing facilities available throughout the State so as to ensure that farmers get a better price for their produce. The Government of India are formulating a scheme for crop insurance based on the report of an expert committee. We have requested them to expedite the introduction of this scheme and to take up this programme as widely as possible in Tamil Nadu.

8. In the Fisheries sector, it will be our policy to ensure that fishermen are enabled to secure a better price for their catch by reducing and eliminating the activities of middlemen. A direct link has to be established between credit, marketing and processing. Increased facilities for the processing and export of marine products from Tamil Nadu will be created directly by Government and also through the joint sector. A Fisheries College will be

opened in the current year at Tuticorin under the Tamil Nadu Agricultural University. In addition to the normal programmes for marine fisheries, a number of schemes have been included for developing inland fisheries. Under the Animal Husbandry programme, 15 key village blocks will be set up and 5 veterinary dispensaries opened. A new dairy complex at a total cost of over Rs. 3 crores is proposed to be set up at Erode with facilities for milk processing including milk powder production and cattle feed manufacture. Forestry programmes provide for the planting of 51,104 acres under various schemes.

9. We have provided Rs. 145 lakhs for Government's participation in the lending programmes of the State Land Development Bank. This will enable them to achieve a lending level of Rs. 18 crores for providing credit to agriculturists. Other important features of co-operative development which are being supported are the strengthening of consumer and processing societies at a number of places and increasing the facilities for the provision of consumption credit and jewel loans.

Irrigation

10. It is noteworthy that the Plan outlay on Irrigation which was Rs. 11·9 crores in 1975-76 will be more than doubled to the level of Rs. 24·7 crores in 1977–78. In the past, several irrigation schemes had been announced without adequate provisions being made in the Budget to implement them. The construction of irrigation projects was also unduly

prolonged. We have now provided adequate funds to complete seven irrigation schemes in the current year benefiting 35,000 acres of new area and stabilising irrigation in 77,000 acres. An important new scheme that will be taken up in the current year is the formation of a reservoir across Kamandalar at Shenbagathope in North Arcot district at a cost of Rs. 3·55 crores. This reservoir will benefit 1,962 acres of new area and stabilise existing irrigation in 10,386 acres.

11. The difficulties experienced in the Cauvery Delta have once again highlighted the need for efficiency and economy in the use of water in the old irrigation systems of Tamil Nadu. In this context, the Cauvery modernisation programme will have to be proceeded with expeditiously. A provision of Rs. 3 crores has been made in the Budget for this purpose. Honourable Members will be happy to know that arrangements have been concluded with the World Bank in respect of the Periyar Improvements scheme. The total project cost will be Rs 41·04 crores. This scheme for which a provision of Rs. 3·16 crores has been made in the Budget will benefit 38,000 acres of new area besides stabilising irrigation in the existing ayacut.

12. The Budget contains a provision of Rs. 4·7 crores for the special minor irrigation programmes and desilting and reclamation of tanks. Apart from investment on minor irrigation in such public sources, provisions are available in the Co-operation sector for assistance to farmers for putting up irrigation wells.

As part of the rural electrification programme, about 30,000 pumpsets will be given power connections in the current year. While we place high priority on the full utilisation of ground-water resources in the State, particularly in the context of our having more or less fully utilised the available surface water, it has to be pointed out that in many areas of this State there is over-exploitation of ground-water resources. This has resulted in the water table going down from year to year. This trend is dangerous in the long-run and has to be taken note of in the future interests of the State. In the coming months, the Government will study this problem in all its aspects with a view to ensure ground-water conservation and regulation.

Power

13. The present installed capacity in Tamil Nadu is 2,364 MW. In 1977–78, Kundah-IV expansion and Suruliyar projects will be commissioned adding 145 MW to the grid. A provision of Rs 43 crores has been made for the Tuticorin thermal project (2×210 MW). I may assure the House that this project is being implemented according to schedule with the first unit due to be commissioned in December 1978 and the second unit in June 1979.

14. Planning for Power has to be a continuous process. In this context, we welcome the decision of the Centre to go ahead with a 200 MW plant at Neyveli based on the existing mine. It is also welcome that the Centre has sanctioned detailed investigations for a second mine-cut at Neyveli. It is

necessary to ensure that these investigations are completed quickly and decisions taken to proceed with the second mine-cut and a super thermal station based on it. We have also represented to the Central Government that the Kalpakkam project should be expedited and a second nuclear project should be set up in Tamil Nadu.

15. We have already formulated a project to add a third unit (210 MW) at Tuticorin and Central approval to this scheme is expected very shortly. It is our intention to commence work on this expansion also in the current year itself and to have the third unit commissioned as soon as possible after the commissioning of the first two units.

16. Along with planned increases to generation capacity, attention is also being paid to improving the quality of power supplied and to the reduction of line losses. With these objectives in view, the outlay on transmission and distribution is being doubled from Rs. 14 crores in 1976-77 to Rs. 28·5 crores in the current year.

Industry

17. Honourable Members are aware that the Central Government have approved the first phase of the Salem steel plant with an investment of Rs. 127 crores. We have represented to the Government of India that adequate funds should be provided to expedite implementation of this project.

18. A sizable provision of Rs 13·77 crores has been made for various industrial projects and programmes in the State's Annual Plan. The overall investment in TIDCO's public sector and joint sector projects in 1977-78 will be of the order of Rs 20 crores. Work is proceeding according to schedule on the public sector cement plant at Ariyalur which will have a capacity of 5 lakh tonnes per annum, the total investment being Rs. 29 crores. The co-operative sugar projects at Vellore and Tiruppathur and the public sector sugar mill at Thanjavur were commissioned in 1976-77. The sugar project at Perambalur is expected to be completed in September 1977. In the Budget, provision has been made for an additional sugar mill. Special emphasis is being given in our industrial programmes for schemes relating to leather, electronics and sericulture in which there is considerable potential in Tamil Nadu.

Rural Industries

19. It is the declared policy of our Government to plan for and achieve a wide dispersal of industries throughout Tamil Nadu in the rural and semi-urban areas. Although Tamil Nadu has a large number of registered small-scale units of the order of 50,000, it is unfortunate that a number of these units are under-utilised or have been closed down. In this context, we have decided to undertake a quick and detailed study of the causes for under-utilisation of capacity in existing small-scale industries. Based on this survey, necessary assistance, whether it relates to technical factors or supply of raw materials or

provision of finance or marketing assistance, will be provided so as to ensure that dormant and closed units are revived and put back on stream.

20. A durable solution to the problem of unemployment, and particularly to the problem of educated unemployment, can be found only by creating the maximum possible scope for self-employment in modern small-scale industries, village and cottage industries, trades and service activities. It has been estimated that 4,000 new small-scale industries were registered last year. As compared to this, we have accepted a target of 10,000 small-scale industries to be commissioned in the next twelve months. This will give employment opportunities to at least about 50,000 persons. For this purpose, the State Directorate of Industries and the Small Industries Development Corporation (SIDCO) will function as extension agencies assisting small entrepreneurs in a number of ways. Simultaneously, advice and assistance will be given for promoting self-employment opportunities in such occupations as those of cobblers, tailors, washermen, goldsmiths, blacksmiths, carpenters, plumbers and repair services. This scheme for which institutional finance will be mobilised, is expected to provide employment to at least one lakh persons during the next twelve months.

21. The new Government is committed to promoting employment for women in rural areas with priority being given to women without male support. Such employment in home industries and cottage industries

will supplement the income of rural families and will also promote the social emancipation of women. In organising home industries, careful attention has to be paid to marketing arrangements and production in these units has to be co-ordinated with the consumption pattern within the State and consumer demands in other States. We are setting up an expert committee for home industries to advise Government on all these aspects and to formulate specific proposals which can be implemented quickly and effectively.

Handloom Development

22. Handloom development is a sector to which we attach very high priority. It is of particular importance to the economy of Tamil Nadu and to the lives of 20 lakhs of people who depend on this industry. Institutional facilities to the handloom sector are now being provided through the co-operatives and our target is to include 30,000 additional weavers within the co-operative fold in the current year. This Government will take necessary steps to remove the difficulties experienced by weavers in taking advantage of these facilities. Government will come forward with the necessary financial assistance for the procurement and marketing of handloom cloth. We welcome the Government of India's decision to entrust the production of controlled cloth in the form of saris and dhotis to the handloom sector. This measure will provide steady employment to about 25,000 weavers in Tamil Nadu. Intensive handloom development projects will be commissioned in the current year at Salem, Madurai and Kurinchipadi.

Provision has been made in the Budget for design centres to be established at Madras and Madurai in order to enable the reorientation of handloom production on attractive lines to suit the changing patterns of consumer demand. Co-optex has taken up a detailed production programme covering two lakh handlooms in the co-operative sector in order to improve the marketability of handloom cloth.

Social Welfare Services

23. The new Government is committed to a policy of giving the highest priority to schemes which are designed to improve the living conditions and economic opportunities of the weaker and vulnerable sections of society. In addition to general development programmes which aim at improving employment opportunities and income levels for the entire population, we should directly redress the traditional disabilities suffered by such sections of the population as Harijans, tribal population, backward classes, fishermen, handloom weavers and destitute widows. At the same time, the basic minimum needs of people in rural areas in respect of drinking water, educational and health facilities, housing, roads and transport should be assured to them through concrete schemes which will be implemented according to a strict time schedule. This is the approach which we have tried to adopt in this Budget with a sense of urgency and which we shall pursue in all the developmental and welfare activities relating to the rural areas and the weaker sections in the future.

Rural Water Supply

24. Good and adequate drinking water is a primary need. A comprehensive survey of drinking water facilities in rural areas has been carried out in Tamil Nadu covering 55,000 habitations. This survey has revealed that out of these only about 38,450 habitations have the benefit of a good and adequate source of drinking water supply. Among the balance of 16,550 habitations, highest priority has to be given to 4,010 habitations covering a population of 17 lakhs which do not have a potable drinking water source within one kilometre. It has been estimated that the provision of water supply to these habitations will cost about Rs. 14 crores. We have decided to tackle this problem as a first priority. We are providing Rs. 6·65 crores in the Budget and we expect to receive an additional amount of Rs. 3 to 4 crores in the Centrally-sponsored sector for this purpose in the current year. It will be our objective to provide all these habitations with adequate and potable sources of drinking water within the next twelve months. Most of them will be covered by the end of the current year itself. Priority will be given in this programme to habitations of Harijans, tribal population and backward classes.

Harijan and Tribal Welfare

25. The total allocation in the Budget for the welfare of Scheduled Castes, Scheduled Tribes and Backward Classes is Rs. 23·57 crores. We have taken certain important decisions in regard to educational

concessions for children belonging to Scheduled Castes and Scheduled Tribes. From this academic year, we have decided to reimburse special fees and examination fees and to supply books free to all children belonging to Scheduled Castes and Scheduled Tribes up to the school-leaving stage irrespective of the income limits of their parents. In the post-matric stage, we have decided to make tuition fees free to all children belonging to Scheduled Castes and Scheduled Tribes regardless of the income of their parents. As a result of these decisions, there will be free education at all stages to Harijan and tribal children. In addition to completely free education up to the school-leaving stage, such children will also have the benefit of free books. An additional provision of Rs. 26 lakhs will be made for this scheme.

26. We have made a significant increase to various provisions for the welfare and uplift of the tribal population in the State. The outlay on the tribal sub-plan will be increased from Rs. 80 lakhs in 1976–77 to Rs. 153 lakhs in the current year.

27. We are also introducing certain new schemes for indigent widows and other women in straitened circumstances. It is proposed to give an annual stipend of Rs. 150 for 1,000 poor women in the age group of 16—30 whose family income is less than Rs. 3,000 per annum in order to help them acquire vocational training in the form of shorthand and typewriting. Books and note-books will be given free of cost to the children of widows whose family

income is less than Rs. 3,000 per annum. We propose to set up Guidance Bureaux in different parts of the State for helping widowed women to get assistance for obtaining life insurance and provident fund benefits, advice on educational and employment opportunities and guidance regarding admission of their children in orphanages and educational institutions.

Welfare of Fishermen

28. A special welfare fund for the benefit of fishermen and their families will be started. The families of fishermen lost at sea will receive an immediate grant of Rs. 5,000 of which Rs. 2,000 will be in cash with the balance being paid in suitable instalments. An additional amount of up to Rs. 5,000 per family will be spent on the rehabilitation of their widows and children so as to make them self-reliant. This will be a permanent scheme for the welfare of fishermen and it is proposed that every year Government will make a grant of Rs. 2 lakhs to the new welfare fund with an equal amount being found from the Chief Minister's Public Relief Fund.

Labour Welfare

29. The Labour Welfare Board is undertaking a number of schemes for workers' welfare. Government will assist them to provide comfortable and inexpensive accommodation for workers' representatives and trade union leaders who come to Madras for discussions with Government on the settlement of labour problems.

Rural Housing

30. Rural housing has hitherto been a neglected sector. It is now proposed to earmark Rs. 2 crores in the lending programme of the Tamil Nadu Co-operative Housing Society for rural housing. About 50 rural co-operative housing societies will be established in the current year. In the case of house building loans for Harijans and Scheduled Tribes, the entire interest will be subsidised by Government so that they can have the benefit of interest-free loans for providing themselves with this basic need. A provision of Rs. 3·2 crores has been made in the Budget for Harijan and Fishermen Housing Schemes in the remaining 7 months.

Rural Roads

31. Fair-weather roads linking smaller villages with bus routes and other main roads is an important requirement in the rural areas. We are increasing the provision for this purpose by Rs. 60 lakhs in the current year. We welcome the provision in the recent Central Budget of Rs. 20 crores for approach roads in rural areas. We shall press the Centre for obtaining a due share to Tamil Nadu in this allocation.

It will also be our policy to improve transportation facilities in rural areas and to extend them, in appropriate places through the wider use of mini-buses.

Rural Health

32. Rural areas have been largely neglected in the provision of health facilities. We have to make an immediate beginning in redressing this imbalance. We

propose to take a major initiative for extending medical relief to outlying villages. This scheme will be started in the current year in 24 selected blocks in the State. In each block, two mobile teams will operate covering each village at least once a week. The mobile medical team will also distribute necessary drugs and will be supported in the field by para-medical personnel who will be located in places covering a population of about 3,000.

33. As a supplement to this scheme, we also propose to encourage reputed voluntary agencies to run mini health centres each of which will cover a population of 5,000. Fifty-four voluntary organisations have come forward to take up such mini health centres and the Government will be supporting them with 50 per cent of the recurring cost.

34. Panchayat Unions whose financial position is weak are now not able to run their dispensaries properly. We have, therefore, provided for provincialising 20 panchayat union dispensaries in the current year which are in Grade V and Grade VI panchayat unions of poor financial position.

35. One other major new scheme is the medical examination of school children with special emphasis on detection of leprosy which is prevalent in Tamil Nadu in an endemic form in Chengalpattu, Dharmapuri, North Arcot, South Arcot, Salem, Tiruchirapalli and Pudukkottai and in certain areas of Thanjavur, Madurai and Coimbatore. Under the new scheme, school children up to the age of 11 in these areas will

be given a thorough medical examination for the early detection and cure of leprosy and other diseases affecting children. This scheme will cover 45 lakh children.

Education

36. In the Educational sector, we are committed to a policy of vocationalising the higher secondary school stage based on detailed surveys of employment opportunities in each district. The 10+2+3 pattern of education will be implemented in Tamil Nadu with this primary objective in view. A provision of Rs. 3 crores has been made in the Budget for the purpose. To provide for additional enrolment at various stages of school education, provision has been made for the recruitment of 1,100 new teachers. We are implementing the decision to extend UGC scales of pay to teaching staff in Universities. A decision has also been taken to extend revised scales of pay based on the UGC scales to teaching staff in Government colleges and Government-aided private colleges. These decisions will take effect from 1st April 1976 with monetary effect from 1st January 1977.

37. Special emphasis will be given to mass literacy programme. This programme and the schemes which are being implemented for non-formal education should go a long way in promoting universal education and in tackling the problems of wastage and stagnation in school education.

38. We are keen that students in all educational institutions should be encouraged to pay special attention to sports and to physical fitness.

We shall make a provision of Rs. 16 lakhs for the Tamil Nadu Sports Council and Rs. 3 lakhs for a new scheme to assist educational institutions to provide gymnasia for students. We shall also provide Rs. 5 lakhs for a new scheme to provide other amenities such as lunch rooms, indoor sports rooms and cycle stands for students in colleges.

Tamil Development

39. In the Governor's address, the policy of Government to preserve and promote Tamil literature, art, historical and archaeological research was indicated. The Budget will provide for specific schemes in this regard. We shall assist Universities and institutions in other States to introduce part-time diploma courses in Tamil. Pension at the rate of Rs. 75 per month will be given to poor Tamil Scholars and due provision will be made in the light of demand. Steps will be taken to preserve important monuments such as the Tirumalai Naicken Mahal, Ramalinga Vilas in Ramanathapuram and the Danish Castle in Tranquebar and to have permanent museums in these places. Loose sculptures and valuable old palm-leaf manuscripts will be collected and preserved. A scheme for this purpose will be taken up in four districts in the current year. We are also setting up an expert committee to formulate a programme for the translation and publication of books in other languages in Tamil. Valuable Tamil classics will also be translated and published in other languages.

Urban Development

40. While taking all necessary steps for developing the rural and semi-urban areas so as to discourage the migration of people to towns, we also have to improve the living conditions of the poor in urban areas. Long neglected essential facilities in terms of water supply and sewerage, roads and transportation, housing, slum clearance and slum improvement have to be provided in growing urban centres. Against this background, we are implementing a major integrated urban development project in Madras City with the assistance of the World Bank. A provision of Rs. 6·95 crores has been made for this scheme in the Budget. A provision of Rs. 3·6 crores has been made for the construction of tenements for erstwhile slum dwellers. We are also proceeding with the programme to improve all slums in Madras City, Madurai, Coimbatore and Tiruchirapalli with an overall outlay of Rs. 5 crores so that they can be provided with essential amenities such as drinking water-supply, public sanitation and street lighting. A provision of Rs. 12·09 crores has been included in the Budget for urban water-supply and drainage schemes covering the Corporation of Madras, 20 municipalities and 70 town panchayats. This includes a provision of Rs. 2·5 crores for the Siruvani water-supply scheme in Coimbatore and provision for water supply schemes in Tiruchirapalli and other municipalities besides drainage schemes for Madurai, Tiruchirapalli, Tiruvottiyur, Tirunelveli and Tuticorin.

State Raffle

41. The Tamil Nadu State Raffle Scheme was announced by our late Chief Minister Anna while presenting the Budget for 1968-69. As Anna explained while inaugurating the scheme, the State lottery, the proceeds from which are spent on welfare schemes, should not be looked upon as a form of gambling but as an opportunity to contribute to the welfare of the poor. In his inimitable words, " if you win, the benefit is for your home ; if you lose, it is for the homeland ". We have decided to continue this scheme but with certain changes in the prize structure which will result in a larger number of prizes and a wider public appeal. The net proceeds from the scheme will be allotted for increasing drinking water-supply facilities in rural areas.

Employment

42. In all projects and programmes, our primary concern is to increase employment opportunities. Although the problem of unemployment is a national problem, it is a matter of regret that Tamil Nadu has a relatively high proportion of the unemployed and under-employed, both unskilled and educated. In rural areas, employment has to be promoted particularly in the non-agricultural season. This is the only way in which income for the rural people can be made stable throughout the year. There are substantial provisions in the Budget for schemes such as medium and minor irrigation, rural roads, soil conservation and afforestation. The overall outlay for such schemes is Rs. 51·7 crores. What is necessary is to implement

these schemes in a timely and co-ordinated manner so that employment potential is maximised in the summer months. It is our idea to create a suitable organisation on the lines of a land army for this purpose. This organisation will tap the manpower potential among the young and able-bodied in the rural areas and utilise this potential for the creation and maintenance of permanent assets for the benefit of the rural people. Against this background, we are setting up an official committee under the Chief Secretary, which is expected to give recommendations for launching a massive employment effort in the summer months. The schemes which I have already referred to in the industrial sector should provide a substantial volume of employment to self-employed persons under various trades and skills as also to young entrepreneurs setting up small-scale units. The educational reform connected with the 10+2+3 pattern will greatly improve opportunities for vocational education and will be linked to setting up of small industries and self-employment schemes in future years. We are also giving higher priority to technical training schemes. About 1,000 additional places will be filled in the existing Industrial Training Institutes in the current year.

Benefits to Employees

43. I would like to take this opportunity to assure the House that the State Government will consider the demands of Government employees, employees of local bodies and teachers for better emoluments and

other benefits in a fair and sympathetic manner. Government will strive its utmost to meet these demands within the inevitable constraints imposed upon it by the resources available to the State and the needs of development.

44. We shall be shortly setting up the Third Pay Commission. The terms of reference of the Pay Commission will be comprehensive. It will not only advise Government on the rationalisation and improvement of the structure of pay and allowances but will also be requested to examine and remedy existing anomalies and make suitable recommendations in regard to amenities and facilities available to Government employees in the form of health facilities, housing, educational opportunities for children and social security. This will enable Government to take a comprehensive and co-ordinated view of emoluments as well as the overall living standards of its employees.

45. Since the implementation of the recommendations of the Second Pay Commission in 1970, additional dearness allowance has been given by Government on seven occasions. These along with the interim relief of Rs. 10 per month announced in June 1977 amount to a total cost of Rs. 104 crores per annum. Out of 7·3 lakh Government employees, local body employees and teachers, 3·4 lakh employees at the lower pay levels are already receiving dearness allowance, including interim relief, equal to what they would get if the Central D.A. rates had been

made applicable. As a measure of relief to others, we have now decided to increase the interim relief from Rs. 10 to 20 per month for employees whose pay is Rs. 200 per month or above. This will benefit 4·1 lakh employees and will cost Rs. 4·9 crores per annum in addition to the annual cost of Rs. 8·8 crores for the interim relief announced in June 1977. The increased interim relief will also be extended with effect from the pay for July 1977 to be drawn on 1st August 1977.

46. Rental housing for Government employees is an important scheme. We have stepped up the provision for this scheme from Rs. 150 lakhs to Rs. 200 lakhs in the current year. The increased provision will enable the construction of 660 additional units for low-paid employees. A provision of Rs. 38 lakhs has been made for Police housing. Increased provision will be made for this scheme in the future.

47. We propose to introduce a major new retirement benefit scheme for the benefit of the 7·3 lakh employees in Tamil Nadu. Under the scheme, a monthly deduction of Rs. 15 will be made. Along with interest on these deductions, an additional amount of gratuity will be contributed by Government so that even employees retiring within a few years of the inception of this scheme can derive a sizable benefit. An employee retiring after 25 years of service will derive a benefit of Rs. 10,000 although his own contribution during this period will be only Rs. 4,500. The receipts under the scheme will be utilised

for providing benefits to employees by way of increasing the house building advances to Government servants, providing additional funds for the Tamil Nadu Rental Housing Scheme and for house building loans through the Tamil Nadu Co-operative Housing Society for local body employees and teachers. We shall consult employees' unions in regard to the details of the scheme and shall implement it as soon as possible based on consultations with them.

Financial Position

48. I shall now turn to the financial aspects of the Budget. The Budget Estimates for 1976–77 envisaged a revenue deficit of Rs. 5·32 crores and an overall deficit of Rs. 2·98 crores. In the Revised Estimates, the revenue deficit is estimated at Rs. 17·28 crores. However, in the overall position, we expect a surplus of Rs. 9·82 crores at the end of 1976–77.

49. Revenue receipts in 1977–78 are estimated at Rs. 633·24 crores and the expenditure on the revenue account at Rs. 663·40 crores resulting in a revenue deficit of Rs. 30·16 crores. The capital expenditure in 1977–78 will be Rs. 62·88 crores. The overall effect of the transactions on the Revenue, Capital and Loan accounts is now estimated to result in a deficit of Rs. 18·89 crores at the end of 1977–78. In the earlier estimates presented to Parliament, a revenue deficit of Rs. 9·9 crores and an overall deficit of Rs. 13·92 crores had been projected. The worsening in the revenue position since then is mainly due to the grant of interim relief to Government and other

employees in June 1977, conduct of elections to the State Assembly, the decision to introduce UGC scales for teaching staff and certain shortfalls on the receipts side. Due to the opening balance and some improvement in capital receipts, the overall position has, however, worsened only to the tune of Rs. 5 crores as compared to the estimates presented to Parliament.

Revisions in tax structure

50. I am sure that the House will now want me to turn to the subject of revisions in the tax structure since by now your patience must be strained and your curiosity must need satisfaction. My first search was for a taxation measure that will not be widely unpopular. This was a difficult search but has met with some success. Consistent with our commitment to the policy of Prohibition and having regard to the existing rates in neighbouring States, we propose to increase the excise duty on Indian made foreign liquor from Rs. 14 per proof litre to Rs. 17. This measure will bring health to the consumers, and if not, at least wealth to the exchequer. It is also proposed to increase the excise duty on rectified spirit exported out of the State from 50 paise to 80 paise per bulk litre. These changes are estimated to yield an additional revenue of Rs. 50 lakhs per annum.

51. As Honourable Members are aware, irrigation rates were increased for I and II class sources and a special assessment on commercial crops was levied in the 1976–77 Budget when Tamil Nadu was under

President's rule. These levies were, however, postponed in the revenue year that ended on 30th June 1977. We have now decided that these levies which were postponed will not be collected. We have also decided to reduce the increased irrigation charges for I class sources from Rs. 12 to Rs. 10 per crop per acre and for II class sources from Rs. 10 to Rs. 8 per crop per acre. In regard to the special assessment on commercial crops, we have decided to reduce the rate for grapes, sugarcane, plantain, coconut, betel and turmeric from Rs. 20 to Rs. 15 per acre. The assessment and collection of the commercial crop cess on shorter-term crops, namely, tobacco, chillies, irrigated cotton and irrigated groundnut is likely to lead to hardship to farmers. We have therefore decided to withdraw the levy of Rs. 12·5 per acre on these crops altogether. These major concessions will lead to a loss of revenue of Rs. 2·5 crores per annum.

52. In Tamil Nadu, we have a very complicated system of consolidated wet assessment, special water rates for new projects, additional wet assessment and water cess. This structure of water rates has evolved over years and needs to be streamlined and rationalised in the light of the present situation. This has to be done having regard to the corresponding rates in other States, the need for ensuring an equitable incidence among farmers in different areas of the State, the ability of farmers to pay such charges and the need for incentives to agricultural production and in a manner that will promote the efficient use of irrigation water. At the same time, we have to ensure

that beneficiaries pay for benefits they receive and sufficient funds are generated for the maintenance and expansion of irrigation works. We have decided to set up a committee which will make a comprehensive study of irrigation and irrigation-related charges in Tamil Nadu and recommend suitable changes.

53. In regard to sales tax, we have decided to make a number of adjustments in the light of representations received from consumers and trade and also with a view to plug loopholes resulting in evasion and avoidance of tax. Against this background, it is proposed to exempt from sales tax livestock, green grass, bun and porai, curd and butter, oil and products of oil produced by power ghanies set up by or with the assistance of Khadi and Village Industries Commission and by the State Khadi and Village Industries Board, medicinal mixtures and compounded powders where the components thereof have already suffered tax and handloom and mill-made handkerchiefs. There have been repeated representations from the hosiery industry, which represents an important sector of small scale industry in Tamil Nadu, that they are not able to withstand competition from similar units in other States. It is, therefore, proposed to give them some relief by reducing the rate of local sales tax on cotton hosiery yarn from 3 per cent to 2 per cent and the rate of Central sales tax from the present $2\frac{1}{2}$ per cent to 2 per cent. In order to avoid taxation at different stages, it is proposed to levy 3 per cent single point tax on

cotton sewing thread which is now subject to multi-point taxation. In order to check evasion, it is proposed that rough synthetic gem boules may be made liable to single point sales tax of 15 per cent. The exemption for polished synthetic gem boules will be continued. Similarly, it is proposed to bring under multi-point tax, jaggery and gur including jaggery powder and nattusakkarai. It is proposed to classify metal polishing bars along with polish and subject them to 8 per cent single point tax. We propose to reclassify scents and perfumes, powders, snows and scented hair oils into two categories viz., those of common use and those which come under luxury items. A single point rate of 8 per cent will be adopted for the former and 12 per cent on the latter. I trust that the House will approve of my effort to find some funds even from fragrance. It is proposed to amend the concerned entry so as to avoid cumulative taxation on different forms of aluminium. Country chekku oil cakes and country chekku oil are proposed to be brought under multi-point tax so as to prevent evasion of tax by mill-owners. The existing exemption in respect of producers of genuine country chekku oil and oil goods will be continued. It is proposed to amend the relevant entry so as to ensure that any variety of paper which has suffered tax but which is converted into any other variety liable to tax under the same entry will not be taxed again. It is proposed to bring dyes and chemicals and essences and fruit squashes under the single point rate of 8 per cent instead of the present multi-point rate. All these changes will be brought about by issuing necessary

notifications and the Members will have the opportunity to discuss them when the amendments incorporating the notifications are brought before the House.

54. We have also decided to make certain important procedural changes in regard to sales tax with a view to avoiding hardship to assessees, improve collections and at the same time reduce corruption. A summary assessment procedure will be introduced for small dealers whose turnover is less than rupees one lakh. Only the accounts of those dealers who had not returned their turnover commensurate with previously assessed turnover and trends or where inspections had revealed irregularities will be subjected to detailed check. This change besides reducing inconvenience to honest small dealers will enable assessing officers to concentrate on the more important cases. We have also taken certain other decisions to make procedures easier at checkposts and to provide for quick redressal of grievances in regard to orders of checkpost officers. The penalty rate for defaulted payments is proposed to be increased and a provision introduced for the publication of names of defaulters of sales tax in newspapers subject to certain conditions as in the case of income-tax defaulters. We propose to tighten the conditions under which retired officers of the Commercial Taxes department are permitted to enter appearance on behalf of assessees.

55. We have also decided to set up an expert committee which will comprehensively examine the

procedures in regard to assessment, collection and appeal in the matter of sales tax laws and regulations. The object of this committee will be to suggest changes which will subserve the triple objectives of reducing hardship to assessees, improving collections and eliminating corruption.

56. Representations have been before Government for some time that the entertainment tax in Tamil Nadu is particularly burdensome at the lower brackets of admission. In the face of this long-standing grievance, we have now decided to provide a measure of relief in respect of entertainment tax at the lower rates of admission by reducing the additional surcharge from 15 paise to 5 paise where the net admission fee plus entertainment tax and surcharge does not exceed 25 paise and from 15 paise to 10 paise where it is between 26 paise and one rupee. This concession will be fully passed on to the consumer. The initial revenue loss may be expected to be made up to a substantial extent as a result of larger attendance at theatres that is likely to be stimulated through the tax reduction.

57. The growth in this important industry should be not only quantitative but also qualitative. Government have decided to introduce a scheme for promoting high-quality, low-budget Tamil films with a social content. Under this scheme, a subsidy of rupees one lakh will be provided to a specific number of films every year which fulfil the criteria to be formulated for the purpose.

58. The net effect of the changes in sales taxes and entertainment tax will be a loss in revenue of Rs. 40 lakhs per annum.

59. I had mentioned earlier that the overall deficit at the end of 1977–78 is estimated to be Rs. 18·89 crores. The effect of the various revisions in tax structure which we have now proposed and the increase in the interim relief to employees will increase the deficit by an additional amount of Rs. 5·70 crores. This deficit has to be covered largely through economies, better collection of existing levies and improved performance of statutory bodies and public sector corporations. Honourable Members will recall that in the Governor's address to the Joint Session, the policy of the Government to root out corruption at all levels was affirmed. Equally, it is our policy to identify and attack the problem of wasteful expenditure in all Government schemes whether they are developmental or non-developmental, in the Plan or outside the Plan. We will have to take every effort to ensure that every rupee of the tax-payer's money is made to go the longest way in providing direct benefits to the people. It is our hope that given the necessary fiscal discipline based on the drive against corruption and waste, we should be able to tide over the deficit in the current year to a substantial extent.

60. Sir, I am aware that Honourable Members belonging to all sections of the House have been looking forward to the maiden Budget of the new

Government. It is less than a month since we have assumed office. In this short span of time, and although only 7 months are left for fresh appropriation, I trust that all well-intentioned Members will agree that we have made a serious and sincere beginning in tackling the various developmental and welfare problems of the State. I look forward to the Budget debate in the House and I would like to assure Honourable Members, irrespective of their party affiliation, that their valuable suggestions and views will be fully taken into account in making necessary provisions during the balance of the financial year and in formulating the Budget for the coming year.

61. I would like to express my sincere thanks to Thiru S. Guhan, Finance Secretary and his colleagues who helped me to prepare this Budget within a short time and thereby lightened my burden.

62. With these words, I seek the approval of the House to the Estimates placed before it for 1977–78.

Madras,
25th July 1977.

K. MANOHARAN,
Minister for Finance.